



EMPIRE ENERGY GROUP LIMITED
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Exercise of Options

21 December 2011

EXERCISE OF OPTIONS AT \$0.12 AND \$0.135

The Directors wish to announce that the Company has been notified that Macquarie Bank Limited will exercise 6,666,667 options at \$0.12 and a further 6,666,667 options at \$0.135 ("**Options**") on or before the maturity date, December 22, 2011. The exercise of the Options will raise a total of \$1,700,000.

The Company will utilise the funds raised through the exercise of the Options to reduce existing debt.

Macquarie Bank Limited will increase its shareholding in the Company from 9.74% to 13.84%.

BACKGROUND

Empire Energy's Executive Chairman Mr Bruce McLeod stated "*the exercise of the out of the money options strongly confirms the underlying value of the Company and its USA operating subsidiary. With operations generating strong cash flow and the shale drilling moratorium in New York State expected to be resolved early 2012, each provides a strong platform to further expand oil and gas operations in the USA. The Directors also welcome Macquarie Bank's continued support and look forward to continuing to grow the Company over 2012*".

ABOUT EMPIRE ENERGY GROUP LIMITED

In early 2007, the Company established Empire Energy USA, LLC and currently holds around 96% of its issued capital. Empire Energy USA is an oil and natural gas producer and also operates a small oil and gas field service operation. It has operations in Appalachia (New York and Pennsylvania) and the Central Kansas Uplift (Kansas). Total combined 2P reserves are estimated at 14.8 million Boe.

The Company holds approximately 220,000 acres of Marcellus Shale and 190,000 acres of Utica Shale in western New York State plus small acreage holdings in Pennsylvania. In addition, the Company has Exploration Licence Applications over 14.5 million acres in the McArthur Basin, Northern Territory, Australia, which is considered perspective for oil and gas shale.

Empire Energy implemented a US\$100 million credit facility with Macquarie Bank Limited in early 2008 for the sole purpose of acquiring and developing oil and gas assets in the USA. This facility has been increased to US\$150 million with less than US\$60m of the debt facility currently drawn.